

Inf€uro

NUMBER 4

JULY 1997

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Ask for the coins!

O.K., but it's still a little early yet. But the photo on this page shows you what the money in your pocket will look like in five years' time.

THE final choice of the future euro coins is undoubtedly the most concrete decision which came out of the meeting of the heads of state and government in Amsterdam on 16 June last. The other decisions are detailed on page two of this issue. The decision was reached in several stages, starting with national competitions which closed in February 1997, and were followed by a pre-selection by a panel of experts in March and by an opinion poll of 2,000 European citizens in April. Two series clearly came out ahead of the others in this process.

The author of the winning series, selected from among 36 entrants, is Luc Luycx, a computer scientist working at the Belgian Royal Mint. As you can see on the photo below, the one side of the coins which will be common to all EMU countries represents the map of the European Union against a background of transverse lines to which are attached the stars of the European flag. The design on the other face is left up to each country. There will be 8 coins in all, with face values of 1, 2, 5, 10, 20 and 50 centimes, and 1 and 2 euros.

The choice of materials is not final, but a proposal has been approved by the European Commission. The opinion of the European Parliament has still to be obtained. Most of the coins will be nickel-free,

but will instead contain "northern gold" or coppered steel, making them hypoallergenic. Nickel may possibly be retained in the 1 and 2 euro coins for security reasons.

In addition, the coins will be easy to identify for the visually impaired. The size, weight, thickness and composition vary considerably from one coin to the next. It is planned to engrave grooves on the 2 centime piece and deep furrows on the 20 centime piece in order to facilitate recognition. The associations which have been consulted have expressed satisfaction at the options taken here. ■

On page 2 we give the main decisions of the Amsterdam Council, which represent a decisive step forward towards Economic and Monetary Union.

Luc Luycx



Scale - 1:1





Amsterdam brings birth of the euro closer

A decisive step towards EMU

Discussion was lively during the days leading up to the summit. On Monday 16 June the Fifteen unanimously confirmed their agreement to the stability and growth pact. With, in addition, a major resolution on employment.

Completing the framework for Economic and Monetary Union and economic policy coordination figured high on the agendas of the heads of state and government meeting in Amsterdam last month. In both cases, precise results were obtained, sending an important signal to citizens, business enterprises and public administrations from every Member State.

Stability

The unanimity achieved on the stability and growth pact was one of the main outcomes of the European Council. This pact (presented in detail in issue no. 2 of *InfEuro*) is aimed at avoiding excessive budgetary deficits in the euro zone, so as to secure the stability of the future European currency. Every participating state will have to seek to put its public finances into order and to make sure its public deficit does not exceed the 3% threshold. In this it will be helped by the surveillance and "early warning" procedures set up under the pact. Should this threshold be exceeded, the state concerned will be invited to take appropriate measures under pain of sanctions, which are limited to 0.5% of GDP (gross domestic product). However, in certain exceptional circumstances, such as a recession which has the effect of reducing GDP by at least 2%, an overshoot may be authorized. Much more than representing a constraint, the stability and growth pact sets out to promote growth and employment thanks to the credibility of the euro, which will permit lower interest rates.

Growth

The objective first of the Community, and then of the European Union, has always been to create a framework which is propitious to economic development and employment. This desire was reaffirmed in Amsterdam with the unanimously adopted resolution on growth and employment. Article 2 of this resolution well sums this desire: "Whilst primary responsibility for combating unemployment remains with Member States, it is important to recognize the need both to improve efficiency and to enlarge the scope of coordination by placing particular emphasis on employment promotion policies." This resolution also pleads for European competitiveness as a precondition for growth and employment as well as for the introduction of employment-friendly tax and social security systems. It also aims to examine all Community policies in terms of their impact on job creation.

Without waiting for the new treaty to be ratified, and given the urgency of the situation, the Commission and the Council will seek to support their analysis with the work of the "Employment Council" and the

exchange of best experience as developed by Member States. It will also be able to formulate concrete recommendations, with a constant concern to preserve the quality of social dialogue in all member countries.

When it comes to financing, the resolution's signatories call on the European Investment Bank to widen its activities to support investment projects which are both healthy and growth-promoting. The EIB will be asked to set up a special facility to finance SME high tech projects. It will also enlarge its field of intervention to include education, health, the urban environment and environmental protection. Finally, it will extend the maximum duration of financing for major networks. As for the European Coal and Steel Community, which comes to an end in 2002, the Commission will examine the transfer of the excess reserves to a fund for research in sectors linked to the coal and steel industry.

"Practical" decisions

The Council of Amsterdam has taken a number of other decisions to ensure that the euro will be introduced in optimal conditions. First of all it has confirmed two important regulations which concern the legal status of the euro. The first defines the euro as the currency of all the participating countries as from 1 January 1999. The second guarantees as from today the continuity of contracts and sets rounding rules. These regulations come in response to many questions which have been put by enterprises and citizens ever since the advent of the euro became a certainty. In addition the European Council has adopted a resolution on EMS2 which will enable the currencies of those countries not taking part in the first wave to achieve a maximum degree of stability on foreign exchange markets. The heads of state and government have also selected the design for the euro coins (cf. p. 1).

Finally, the Council and the Commission have been mandated, in coordination with the European Monetary Institute, to examine three subjects of importance:

- the general directions of exchange rate policy in the euro zone (article 109 §2 of the Treaty);
- the Community's position in international bodies such as the IMF and the G7 on questions concerning EMU (article 109 § 4);
- the Council's position in meetings of the Council of Governors of the ECB (article 109 B § 1 states that the President of the Council and one member of the Commission can take part in a consultative capacity only). ■

Dr. Klaus Liebscher

President Oesterreichische Nationalbank

A fostering confidence in the euro

Inf€ *Austria and its central bank are extremely active in communicating about EMU. Why this enthusiasm in a country which has been an EU member for only two years?*

The Austrian public is showing great interest in the changeover to the euro. Most of the questions regarding this issue are addressed to its central bank, the Oesterreichische Nationalbank (OeNB). Regular opinion polls confirm that there is no doubt about the key role to be played by the OeNB, which is considered the successful guardian of the currency. Also, the OeNB enjoys a very high degree of public confidence.

In order to ensure the acceptance of the single currency, the trust people now place in the OeNB will thus have to be extended to the partners in the ESCB. The active involvement of the OeNB in communications activities to inform the public about EMU reflects the European Commission's subsidiarity principle, so that the main public information actions are taken by the Member States themselves.

The current information strategy of the OeNB is focused on alleviating Austrians' fears about the changeover to the new currency and about relinquishing the schilling. At the same time, the Nationalbank aims at fostering confidence in the euro. The presentation of analogies between the present and the future currency concept will allow for the gradual transfer of the idea of stability orientation from the schilling to the euro. This means there is no enthusiasm but sound reflection on the future needs and opportunities for our country.

Inf€ *What kind of information systems have you been using and could you already try to draw up an evaluation of the results?*

The OeNB disposes of a great variety of instruments. Employees of the bank participate in hundreds of seminars and conferences annually all over Austria, addressing public gatherings, schoolchildren, officials and many other people in search of information. In addition, we have formal as well as informal meetings with representatives of different segments of the Austrian economy or the public sector. Press conferences supplement the range of public events. The publications of the Nationalbank on EMU comprise a quarterly newsletter as well as more general information leaflets. The Bank's information services also include a call centre with a permanently operated telephone hotline. There, specialists of the Nationalbank answer all kinds of question on European integration, EMU and the euro.

Last year, the OeNB together with the European Monetary Institute (EMI) organised a series of conferences and discussions on various topics related to EMU. The OeNB also avails itself of the electronic media and multimedia: It communicates via screen-based information providers. Furthermore, it has just finished producing a CD-ROM on the purposes and functions of the Bank including the path toward EMU.

The OeNB conducts a quarterly opinion poll to gauge the public's opinion on EMU and on the Nationalbank. The very high degree of confidence placed in our institution can be linked to its committed pursuit of communications activities. Therefore we will continue with this wide range of activities until the end of the successful changeover.

Inf€ *Are you happy with the progress in the preparation work done by the EMI?*

The EMI in co-operation with the 15 central banks of the EU member countries has done excellent work in preparing the single European monetary policy. I should like to specially underline the important contribution by the EMI's first president Alexandre Lamfalussy, who used his profound knowledge and standing to have the necessary decisions made. In particular the success in developing the framework for the single monetary policy in Stage Three represents an important milestone. I am certain that the issues which remain open will be resolved in time to allow the ECB to take the necessary final decisions.

Inf€ *Austria has always been a communications link with the countries of Central and Eastern Europe. Do you think you will also hold this position in the EMU?*

Historically and geographically, Austria has very special ties to Central and Eastern Europe. Our economic relations, too, are very close. For this reason we observe and analyse the economic and political developments in the transition countries especially thoroughly.

The OeNB's traditional role as a link between east and west has in fact become even stronger since Austria's accession to the EU. First, the OeNB can contribute its expertise on Eastern Europe in its dialogue with the other EU central banks, and second, the OeNB is increasingly acting as the point of contact for the transition countries who have questions about joining the EU and who wish to prepare for EMU. The OeNB will strive to further develop this role within the ESCB.

Inf€ *Do you estimate that it will be necessary to implement monetary instruments in case of some of these countries future participation in EMU?*

Our analyses show us that the Central and Eastern European countries have come a long way in establishing Western-style central banks: They developed independent central banks committed to the goal of price stability, managed a smooth transition from direct to indirect monetary policy instruments and fundamentally reformed their financial sectors. As OeNB studies show, they will have to redesign their exchange rate policies before entering EMU. For the period between the start of membership in the EU and participation in EMU, the exchange rate mechanism ERM II will provide a system suited for these countries' preparation for the single currency. ■





Luxembourg: pragmatic choices

The objective of Luxembourg's conversion to the euro is to achieve a coordinated, coherent and rational changeover by the country's public administrations. Whilst aiming to introduce the euro at the lowest possible cost, the Luxembourg government intends to promote its use from the start of the transitional phase.

Even if the Luxembourg administration will continue to work internally in Luxembourg francs during the transitional phase, it is prepared to receive and make payments in euros for private operators who so wish, and also to organize information flows in euros (tax declarations, social security forms, statistical reporting, etc.). Nonetheless, once a particular enterprise or institution has switched to the euro, this choice is irreversible. With regard to the public sector, the Luxembourg government would like to see administrations switch over together on as large a scale as possible, for reasons of efficiency, but also in order to limit the costs of introduction.

In practice, the government has set up a "Euro Public Administrations" coordination group, which will monitor the application of both general and particular conversion plans until 2002, together with the persons responsible for the euro in each ministry. Parallel with this, the four Round Tables (public administrations, financial sector, major enterprises, SMEs and consumers) which were set up back in 1995 will continue to function, whilst the communication campaign on the euro will be conducted jointly by the Finance Ministry and the Luxembourg Monetary Institute.

At treasury level, the Luxembourg government has created the legal basis which will allow existing OLUX lines to be converted into euros as at 1 January 1999. Once this has happened, more or less 90% of Luxembourg's debt will be denominated in euros, with the balance, in the form of FLUX savings bonds issued to the general public, maturing by 2002.



Efficient introduction of the euro

Belgium: a general commission and four working groups

A CONSULTATION and coordination body on the subject of the changeover to the euro was created in Belgium in August 1996 at the same time as the changeover plan was defined. At the end of last year, the Council of Ministers decided to set up the General Commission for the Euro which it put into the hands of Guy Quaden. According to the General Commission's head, the objective was twofold, namely stimulation and coordination: *"Many public and private entities have started internal preparations of their own accord, but this is not yet the case everywhere. However, the deadline is approaching. It is no longer possible to plead uncertainty as an excuse for postponing preparatory work. We must encourage those who are still hesitating. Secondly, it is necessary to ensure coordination in order to prevent people from taking a series of incoherent decisions"*.

Located in the National Bank of Belgium, the General Commission employs only ten or so full-time staff. It controls two instruments: the Steering Group and the Plenary Meeting. The Steering Group is comprised of representatives from the Ministries of Finance, the Economy and Social Affairs as well as from the Federal Information Service. It studies issues related to the introduction of the euro, delivers opinions, and coordinates and supervises the working groups. The Plenary Meeting, which meets three or four times a year, is in fact a national forum to prepare for Economic and Monetary Union, and is attended by all the public and private players affected by the euro.

Efficient introduction of the euro

The common goal of the main working groups is to ensure the efficient introduction of the euro in all sectors of the economy. These working groups are set up and meet in line with the needs of the different sectors. Four main groups have been created: the finance sector; public administrations; non-financial enterprises and consumers; communication.

The financial sector group was created before the General Commission, since it was this group which developed the national changeover plan, which now has to be applied in the field. The financial sector group is divided into five sub-groups: banks; prudential supervision and reporting; notes and coins; financial markets; and bank currency. One of the most spectacular results is that, as from 1 January 1999, Belgian banks will allow their customers to convert their accounts into euros at no charge and to use it as a bank currency.

The public administrations group examines all aspects of introducing the euro into the federal, community, and regional administrations. It has been decided that the administrations will continue to conduct transactions among themselves in Belgian francs until the year 2002. However, as from 1 January 1999, administrations will offer enterprises and individuals the option of working exclusively in euros. As from the first quarter of 1999 it will be possible to complete VAT declarations in euros and income tax and corporation tax declarations may be denominated in euros as from the 1999 tax year. *"This is an ambitious and determined commitment"*, states Guy Quaden, before adding: *"It is also a real challenge because the deadline is very short. We are currently studying how much it will cost the administrations to transfer to the euro but the government has already decided that appropriations to cover the changeover will be a priority in the 1998 budget"*.

The working group on non-financial enterprises and consumers focuses on the issues of enterprise adaptation to the euro, and enterprise-consumer dialogue, regulations and statistics. Compared with the other groups it is probably the one where the greatest number of questions still remain unresolved. As Guy Quaden explains, some of these questions will find a response only at European level: *"Several decisions must be taken at European level before we can move forward. This applies, for example, to the date for introducing notes and coins and to the decision on whether or not to display dual prices. Even taking into account the principle of subsidiarity, we feel it is important for procedures for introducing the euro — and hence its fiscal treatment — to be the same everywhere. This would avoid any distortion of competition"*.

A broadly based information strategy

The communication working group coordinates the information policies conducted by the federal, community and regional administrations by involving private sector representatives in its proceedings. According to the head of the General Commission for the Euro, communication must be varied: *"We believe that in order to be credible, information must be broadly based and pluralist, as well as coherent and coordinated. The Federal Information Service has developed a communication master plan for public administrations covering the period 1997/2001. For example, the Ministry for Economic Affairs regularly publishes a barometer on Belgian public opinion concerning the euro. This is how we know that 69% of Belgians are in favour of it"*.



Round Table on
"Practical aspects of
transition to the euro"

A big step forward!

Yves-Thibault de Silguy, European Commissioner

Yves-Thibault de Silguy: less than 600 days to go!
Yves-Thibault de Silguy, European commissioner in charge of economic, monetary and financial affairs, began by placing the round table in its proper context: "Even if they do not know all the details, most Europeans today know that the euro will be created on 1 January 1999. Everywhere, businesses, banks and public administrations are making serious efforts to prepare for the euro. We have gone beyond the point of no return. It is not possible to reverse the procedure; this would be far too costly and perilous. It is therefore no longer a question of debating whether, how and when the euro should be created. We must get ready. There are only 595 days left. We have enough time — but not too much — to identify and resolve all of the practical problems which such a change entails".

Outlining the various subjects tabled for discussion, the European Commissioner began by insisting that as wide as possible a consensus should be obtained on the date chosen for the introduction of euro notes and coins, it being understood that no date would suit everybody. In the Commissioner's personal opinion, this could be in the autumn of 2001. Referring to the period of dual currency circulation, he defined the optimum timeframe as being one which minimises costs whilst allowing the smooth substitution of the euro for national currencies. He also pointed out that the prevailing view was that this period should be far shorter than the six-month maximum originally planned. Speaking about dual price display, Yves-Thibault de Silguy wanted this to be supplemented by other measures for familiarising consumers with the euro. In his concluding comments on invoicing services during the transition phase, he said that no charges could be made for exchange risks since these would have disappeared between participating currencies. However, handling costs could be invoiced as they are today, but under conditions of total transparency.

Emma Bonino: education first and foremost

Emma Bonino, European Commissioner in charge

of consumer policy, opened her address by calling for consumer concerns to be made a priority to ensure that any policies implemented meet the needs of consumers. Consumers participate in the Consumer Committee which has met for two days every month since October 1996. Speaking frankly, Emma Bonino outlined the main thrust of Workshop 1 on introducing the euro: "For consumers this will embody their sense of belonging to the European Union. No doubt we need to plan for a gradual changeover to the euro, at all levels, including that of consumers. Postponing everything until the end of the year 2001 seems to me to be the worst solution, especially if consumers are to be educated in the use of the new currency". Referring to Workshop 2 on assistance to be given to euro users, the European consumer policy Commissioner also stressed that it was imperative to educate consumers: "Together we shall find solutions to all the practical, technical and legal problems. The most difficult problem will be to educate consumers about the new currency. We have all been brought up with a native tongue and a "native" currency. What consumers are being asked to do is to abandon their native currency". Referring to the case of "vulnerable" consumers, Emma Bonino pointed out that today around 30 % of Europe's citizens are unable or no longer able to read and write, before adding "there can never be enough information and education".

Conclusions

The Round Table was a new milestone on the road to introducing the euro. For the first time all players were present to debate constructively the issues involved in this process. In the conclusions of the round table, three priorities were highlighted: to rapidly develop methods for educating people about the euro; to quickly finalise and announce national plans; and to take the necessary practical decisions in May 1998 at the same time as deciding on the first countries to participate. It was also stated that the euro was being created for all Europeans and that there would be no euro casualties. ■

On 15 May the European Commission brought together in Brussels 250 representatives covering the full range of future euro users: consumers, traders, businesses, trade unions, financial institutions and national and European public administrations. The result was a lively debate and substantial progress towards getting the euro up and running

Pratiques de la Transition vers l'Euro Bruxelles, 1er mai 1997

Round Table Workshop 1

Conversion costs at the centre of the debate

Emma Bonino, European Commissioner

When will the euro be introduced and how long will two currencies be in circulation in each country?

In the opinion of R.-D. Wolf of the European Committee of the Hauptverbands des Deutschen Einzelhandels (German retail traders' organization), it was essential to dispel doubts. He appealed for the shortest possible period of dual circulation and if possible a *big bang*. P. Dejemeppe of the Centre Coopératif de la Consommation nevertheless called for a period of dual circulation long enough to allow consumers time to adapt. L. Bini-Smaghi of the European Monetary Institute stated that the process of introducing notes and coins could not be effectively carried out in a couple of weeks, nor was it advisable to prolong the period of dual circulation because this would encourage users to continue using national notes and coins.

Four possible dates for introducing the euro were suggested. It was generally agreed that the period February/March 2001 was premature. The month of October 2001 was considered favourably by the Spanish Consumer Council and by several other participants, provided that the date was far enough distant of the holiday period. This was also the preferred date of the European Commission and the European Monetary Institute. 1 January 2002 was the favoured main choice of chambers of commerce and federations of private businesses because this date coincided with the beginning of the new tax year. However, this appears to be the only real advantage of a date which particularly displeases retailers. Many participants came down in favour of February 2002. Eurocommerce, for example, considered that this date would make for a smoother and less costly introduction of the euro. However, psychologically this date could have a negative impact by giving the impression that its introduction was being delayed beyond the scheduled date.

How will euro payment facilities be introduced?

There was general agreement on two points. Firstly there would be a demand for euro-denominated products as from 1 January 1999 and secondly a broad range of products would be on offer (banking, insurance, etc.). For consumer associations it was important for citizens to rapidly familiarise themselves with the euro using the instruments to be made available to them during the transition period. In any event, the banks and various financial intermediaries would play a key role in introducing euro payment facilities (cheques, credits cards, etc.). Eurochambres appealed for European coordination of electronic payment facilities. The European Association of Money Transporters went further by advocating the general harmonisation of the different systems and legislation.

How will the euro be used between 1999 and 2001?



A. Crippa, speaking on behalf of the Italian bank Cariplo, believed that European banks should equip themselves with an instrument for managing inter-bank flows in euros. In his personal view, it would be imperative to handle operations in euros (current accounts, deposits, payments, financing, etc.) for reasons of competition. Speaking on behalf of industrial firms, T. Ruhe, Euro Project Director for Philips, explained the internal organisation of the Dutch group, including its plans to use the euro for transactions between subsidiaries as from 1999 and, no doubt dual price display prior to the introduction of notes and coins. F. Campens, of the European Interregional Consumer Institute, felt that consumers should not be compelled to use the euro but that they should be provided with the necessary instruments. In the view of the Fédération française des entreprises d'Assurances, it was necessary to wait until socially-related products (wages, pensions, etc.) were less vulnerable to the introduction of the euro. J. Creyssel, speaking for the Conseil national du patronat français (French employers' association), also pointed out that payment of salaries in the national currency would slow down the changeover to the euro.

Conversion costs

P. Simon, of the Association française des établissements de crédit et des entreprises d'investissement, declared that banks were ready to play their role in the transition to the euro. However, he added that such a role had a cost which would inevitably have to be borne by financial institutions, the public authorities or customers, or by all three. He felt that where a service was rendered it should be possible to invoice it. For example, a customer wanting a dual cheque book should be prepared to pay for it.

Speaking on behalf of the European Bureau of Consumers' Unions (BEUC), K. Schieren took the opposite view, saying that no commission should be charged either during the transition phase or during the introduction phase for notes and coins because the euro would then be legal tender. She maintained that applying charges during the transition phase would discourage consumers from using the euro. Furthermore, citizens should not have to bear the cost of a changeover which would be compulsory during the final phase.

The debate was a lively one in which positions became somewhat entrenched. Several participants felt that it was important to clearly quantify the cost to financial institutions of transition to the euro. Since the subject was a particularly sensitive one, B. Jolivet, Chairman of the Advisory Committee of the Conseil national du Crédit-Paris, who was chairing Workshop 1, felt that it could only be resolved through dialogue.



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Helping people to use the euro

“How to help people to adjust to new euro values?” was the key question addressed by Ronald Colvill, Finance Director of Marks and Spencer, in opening the first session of Workshop 2 of the Round Table.

THE task was a difficult one, said Mr Colvill, but it should begin with a gradual but early use of dual pricing. The M&S director favoured setting minimum standards of information to be given to the consumer and suggested that the presentation of euro prices would benefit from a common approach to the use of colour and typeface.

Three issues needed early decisions: that the introduction of euro notes and coins will not be January 1 2002 — February would be much better, said Mr Colvill; that retailers should be allowed to give change only in euros during the period of dual circulation of notes and coins; and that “overprescriptive legislation” on dual display will be avoided.

Reine-Claude Mader (Consummation, Logement et Cadre de Vie and member of the Commission’s Euro Working Group) called for dual pricing to begin soon after January 1 1999 and to continue well after the arrival of euro notes and coins. While acknowledging that it was only one method of helping consumers to adjust, she said it should apply to a wide variety of prices, not just those in shops, and cover such things as tax returns, wages slips, rent contracts and insurance policies. Consumers were not asking for two prices on everything — “it is the final figure on the bill which is of interest”, she said. This need not necessarily be mandated by law but measures would need to be uniform and based on a certain minimum threshold of information.

Ferdinando Foresi (Eurocommerce) warned that heavy dual pricing burdens would push up prices. J. I. Lamata Cotanda (El Corte Inglés) argued that the market would ensure sufficient information.

Session Two: Dual displays and possible alternatives

David Croughan (Irish Business and Employers Confederation), said no legislation would be needed on dual pricing because retailers were determined to ensure that customer confidence was maintained. He favoured March 2001 as the date for euro notes and coins but said that this must coincide with the date for the automatic redenomination of scriptural amounts such as bank accounts, or otherwise there would be chaos.

M. Reuter (European Commission’s Euro Working Group) explained that the Working Group wanted dual pricing for six months before the euro change-over and six months after it because of its pedagogical effect. It would prepare consumers for “€-day” while facilitating acceptance of the euro and avoiding distortion of competition. He thought that dual pricing should be obligatory.

R Diewald (Association of Austrian Insurance Companies) said that if there were to be a mid-year changeover to the euro, there could be problems for insurance products that are based on calendar years.

Ann Robinson (British Retail Consortium) stressed the importance of getting people to accept the euro through a strong educational programme.

Lorimer Mackenzie (European Commission) announced that the responsible Commissioners intended to create an ad hoc working group of representatives of enterprises, retailers and consumer

organisations to examine specific concerns about the introduction of the euro.

Session Three: Training personnel in contact with the general public

Wolfgang Rautenberg, head of training at Deutsche Bank, presented the staff training programme launched by his bank in 1995. The first move was to send to peoples’ homes a brochure on EMU titled *The Euro — A Stable Currency for Europe* together with an EMU checklist and a question and answer leaflet. The bank then developed a card and board game designed to test and build up knowledge of the euro among the players. This had proved to have a very positive impact on staff. A self-study package then followed which contained tests enabling people to judge their progress.

More specialised and differentiated training programmes were now being implemented in the bank’s main businesses. In May, the bank had launched its own Business TV transmitting 15-minute teaching programmes via satellite. These are accompanied by special brochures containing supplementary information.

Peter Coldrick (European Trade Union Confederation) explained the three concerns of the trade union movement: that conversions are done fairly and correctly; that adequate staff training be provided and that the nickel content of coins issue be resolved. He warned that while the ETUC favoured economic and monetary union, ordinary trade union members did not — they associated it with unemployment.

Session Four: Helping disadvantaged groups to make the change

J. P. L’Hoest (European Blind Union), emphasised that 2% of the population were visually impaired and it was important to recognise their special needs in the design of notes and coins. Note designs were satisfactory, but less progress had been made on coins. The 20 cent coin must have the tactile qualities needed to differentiate it from the other coins. There must also be training for the visually impaired and information in various formats, including Braille and audio. Companies and banks should also recognise their responsibilities to the visually impaired said M. L’Hoest.

Umberto Burani, (Economic and Social Committee) spoke of the needs of the illiterate and the elderly, saying that written materials were of little interest to them. Television could be much more effective. He called for legal guarantees to ensure that certain categories of people are not taken advantage of.

Closing session

In summing up, Dr. R. Haiden, Vice-president of the Austrian Economic Chamber and Chairman of the workshop, drew attention to the Deutsche Bank training scheme as a model to be copied. On other issues he stated that only the final price should be used in both currencies, not the unit price, that euro prices should be differentiated by colour and font and that there should be price monitoring, not controls, for transparency. ■

Round Table: Workshop 2



José María Cuevas,
Chairman of the Confederation of
Spanish Entrepreneurs (CEOE)

The euro is our best enterprise



Inf€ *How do Spanish enterprises view the euro?*

Spanish enterprises are fully aware of the advantages which they will gain from the euro. The introduction of the single currency will create a stable and predictable macro-economic environment. Without a shadow of doubt this will considerably boost their activities.

Inf€ *So do you consider that the euro is a development factor for Spanish enterprises?*

Yes. The euro will enable company directors to operate in a much larger market — the Single European Market — using a single currency. Moreover, control over the main macro-economic factors, especially inflation and interest rates, will promote security and confidence and that will stimulate investment and trade.

Furthermore, for enterprises operating in the euro zone, transaction costs will disappear and the risks associated with payment methods will lessen because of the growing importance of the euro on the world scene. Enterprises will therefore be able to rely on a strong and stable currency, just like our main competitors who use the dollar and the yen.

Finally, Spanish company directors will be in a position to take more informed decisions in that they will be able to compare prices directly and to assess the opportunities offered by the market.

Inf€ *What do companies and national and European authorities have to do to enjoy these benefits before the euro is launched?*

As far as possible, enterprises should launch an action plan enabling them to adapt to the single currency and set up an *ad hoc* Working Group comprised of representatives from all departments. This group will be responsible for supervising the transition strategy based on a precise timetable and budget.

The national authorities must take all necessary measures to guarantee the required degree of economic convergence for introduction of the single currency. To achieve this they must take all the requisite structural measures to ensure greater economic flexibility. With respect to the employment market, the CEOE has recently signed an agreement with the Spanish trade unions to reform the labour market which will certainly help to improve Spain's level of employment.

European institutions must honour all of their

commitments and respect the provisions of the Treaty on European Union to the letter. Both national and European authorities have a duty to foster competitiveness in Europe.

Inf€ *The CEOE has drawn up a major information programme on the euro for the benefit of its members. What are the objectives and key elements of this programme?*

The CEOE, with the support of the European Commission, has indeed drawn up an Information Programme for Spanish enterprises with a view to the introduction of the euro. Its aim is to inform and prepare Spanish enterprises, especially SMEs, for a smooth transition to the single currency under optimum conditions.

The plan covers the entire country and is due to be implemented over the coming two years. It defines a series of initiatives designed to improve the awareness of Spanish company directors about all aspects of EMU and use of the euro in transactions. The plan also includes a vast information campaign on the practical consequences of introducing the euro into the various sectors of industry, as well as permanent support from a telephone euro helpline, to help enterprises, especially SMEs, to clear up any doubts and resolve any problems.

Another of the plan's aims is to raise the awareness of young people and the academic world about the euro and to ensure broad media coverage of the issue.

This information plan was officially presented on 25 April at a major event attended by 1,000 Spanish company directors. Also present were the Spanish Prime Minister, José María Aznar; European Commissioner Marcelino Oreja; the Spanish Deputy Prime Minister and Minister for the Economy, Rodrigo Rato; the Minister for Labour, Javier Arenas; and the Governor of the Bank of Spain, Luis Angel Rojo.

Inf€ *Are you satisfied with the level of preparation amongst enterprises?*

Yes, though much still remains to be done if we are to rise to the considerable challenge of changing over to the single currency. The CEOE will be unstinting in its efforts to help Spanish enterprises to successfully meet the challenge of the single currency under proper conditions, considering the euro as an opportunity. This is why the motto for our campaign is: "The euro: our best enterprise". ■



Ton Ruhe,
Euro Project Director Philips

The introduction of the euro will be a unique opportunity and a stimulus

Inf€ *What is now and what will be in the future, the influence of the euro on Philips? Would the impact of the introduction be positive? Could you explain how it will be?*

In general, the influence of the euro on a European company is a function of the complexity of the organisation and depends largely on the number of countries in which the company is operating and on the number of stakeholders involved in the various business activities. Philips Electronics is operating in more than 60 countries world-wide, with about 265,000 employees working in 100 different businesses, so the influence of the euro is expected to be substantial. With respect to the introduction of the euro we have to make a distinction between the businesses operating within a retail/wholesale type environment, i.e. close to the end consumer, and the businesses dealing with typical industrial deliveries. Our overall business performance will be positively affected because of the elimination of internal exchange rates and because of the creation of a much more liquid and transparent financial market. But for the marketers in our organisation the impact can be diverse. Some of them have to rethink their domestic pricing strategy, whilst others are already used to a more pan-European customer approach. We believe that a single European market and the euro will create business opportunities for dynamic entrepreneurs. We hope that a European company statute will also help overcome a segmented domestic approach.

Inf€ *How long have you been preparing your company for the euro? What structures have you been setting up? What are the objectives and the resources?*

In the late eighties, and being one of the founding members of the Association for the Monetary Union of Europe (AMUE), Philips Electronics became actively involved in discussions about the creation of a single European market. This resulted in a high level awareness within the company of the need to investigate the possible implications of the introduction of the single currency. In 1995 we established the Philips Single European Currency Platform Group, chaired by the Chief Financial Officer of the Philips Group of companies. Since then, quarterly meetings were attended by a selected number of business, country and corporate function representatives. This year we transformed the Platform into a larger Steering Committee, we appointed a full time Euro Project Director and we established about 30 different working groups, involving more than 200 people, most of them working part time but some of them devoting themselves full time to the introduction of the euro. The objective is to prepare the company for the changeover per 1.1.1999.

Inf€ *When do you think you will be introducing the euro in your book-keeping and will you be generalising its use to the whole group?*

For early movers like Philips, the obvious question during the transition period between 1999 and 2002 is, to what extent is the euro going to be used by other companies and maybe even by the public at large? No prohibition/no compulsion during this phase will mean, the need to build in flexibility, not only in our computer systems but also in our administration. We have already decided to publish our annual report and our quarterly figures in euros as from the 1st of January 1999. But reporting in euros is easy compared with the registration of euros in our administration. For instance, we have to live with the differences in statutory requirements between the member states, fiscal differences, rounding problems, etc. It is our objective to convert the general ledger, the sub-ledgers, the internal and external reporting into euros, at least in the Philips organisations based in EMU countries, which includes the corporate head office. We will also introduce the euro in our inter-company invoicing system, which will have an impact on our world-wide organisation.

Inf€ *Do you think that the euro will be a good thing for the economy of The Netherlands and of the European Union? What are you expecting from the national and the European authorities to make the introduction a success?*

As an electronics company based in Europe, we are facing severe competition from the Far East and from the US. We have to increase our productivity and to decrease our cost base, which requires a mentality change. The introduction of the euro will be a unique opportunity and a stimulus at the same time, to rethink our fundamentals. Jointly, European companies have the potential to become significant players in global competition. The longer term challenge is that the euro will improve the investment climate in Europe, resulting in renewed growth, ultimately improving our employment situation. We believe, that without hard driving support for monetary union, the individual European economies will be at risk.

We expect the national and European authorities to be proactive and timely in terms of providing the necessary legislative changes and eliminating of unnecessary practical implementation differences between the Member States. But more importantly, the biggest challenge should be to motivate the Europeans to adopt the new currency with great enthusiasm, providing a European 'glue' to our national feelings. Removal of the political and economic uncertainties should therefore be priority number one. ■

TOWARDS THE EURO

EVENTS/CONFERENCES

SEMINARS ON EMU WITH THE PARTICIPATION OF THE ASSOCIATION FOR THE MONETARY UNION OF EUROPE (AMUE)

UNITED KINGDOM :

16.07.97 — London:
Promoted by: BAT Industries/AMUE.
Speaker: C. Johnson.
Contact: AMUE
Tel.: (33+1) 44.70.60.30
Fax: (33+1) 45.22.33.77

FRANCE :

07.09.97 — Paris
Promoted by: Chamber of Commerce.
Speaker: B. de Maigret (AMUE).
Contact: M. Chauffron, CCI Blois,
Tel.: (+33-12) 54.44.64.57

GERMANY :

07.09.97 — Bad Segeberg
Title of the seminar:
"Von der Mark zum Euro.
Warum der Standort Deutschland die Währungsunion braucht."
Promoted by: Member of Parliament/AMUE.
Speaker: S. Collignon (AMUE).
Contact: AMUE
Tel.: (33+1) 44.70.60.30
Fax: (33+1) 45.22.33.77

17.09.97 — Nürnberg

Title of the seminar:
"Von der Mark zum Euro.
Warum der Standort Deutschland die Währungsunion braucht."
Promoted by: Member of Parliament/AMUE.
Speaker: S. Collignon (AMUE)
Contact: AMUE
Tel.: (33+1) 44.70.60.30
Fax: (33+1) 45.22.33.77

FRANCE :

18.09.97 — Lorient
Promoted by: AMUE/Chamber of Commerce/Banque de Lorient.
Speaker: M. Prevost (Banque de France Lorient).
Contact: M. François Frey, CCI Lorient, Tel.: (+33-2) 97.02.40.15

SEMINARS ORGANIZED BY THE EURO INFO CENTRES

GREECE

10.09.97 — Thessaloniki
Contact: Yanis STAVROU
Tel.: (+30-31) 53.98.17
Fax: (+30-31) 54.14.91

17.09.97 — Serres

Contact: Georges DROUBOUKIS
Tel.: (+30-1) 417.05.29
Fax: (+30-1) 417.46.01

Taking advantage of the euro to improve the efficiency of capital markets



ITALY
16.07.97 — Brescia
 Contact: Brunella SCALVINI
 Tel.: (+39-30) 377.47.70
 Fax: (+39-30) 374.96.12



FRANCE
11.09.97 — Evreux
 Contact: Christian CHUPIN
 Tel.: (+33-2) 35.88.44.42
 Fax: (+33-2) 35.88.06.52

OTHER EVENTS



GERMANY
13 - 20.07.1997 — Blaubeuren
 "Minderheitenpolitik in Mittel- und Osteuropa. Föderalismus als Konfliktlösungsmodell bei kulturellen Divergenzen in fragmentierten Gesellschaften".
 Information:
 Europäisches-Zentrum für Föderalismus-Forschung, Sigwartstrasse 20, D-72076 Tübingen.
 Tel.: (+49-7071) 29.77.368.
 Fax: (+49-7071) 92.28.76



FRANCE
15.07-17.07.97 — Strasbourg
 Final stage of the "EURO-EXPO-INFO" project on an exhibition barge on the Rhine.
 Mooring point:
 Promenade Dauphine.
 Information:
 Tel.: (+33-1) 40.63.38.37



Should you wish to list a conference, seminar or publication in *InfEuro*, please send all relevant information (at least two months before the event) to: M. MALVOIR, European Commission (Information, Communication, Culture and Audio-visual), 200 rue de la Loi, B-1049 Brussels, Belgium.
 Tel.: (+32-2) 295.37.87
 Fax: (+32-2) 296.33.50

Strategies for achieving a euro securities market as broad, deep, liquid and transparent as possible were due to be published by the Commission in June.

BASED on the work of a group of capital markets experts and participants chaired by Mr Alberto Giovannini, a senior economist with LTCM, the report therefore reflects the views of market practitioners on how they wish future euro markets to operate and on the potential difficulties stemming from the switch to the euro.

A single "big bang" harmonisation of markets is said to be impractical, but the document points out that there are a number of technical issues such as market conventions, settlement periods and business day conventions that can be tackled by the market itself. However, it exhaustively examines all major issues including:

- the euro's impact on equity markets;
- redenomination of securities from national currencies into the euro;
- procedures for issuing government debt;
- benchmarks;
- taxation and regulation;
- market rules and conventions.

Equity markets

The report concludes that the market structure for equities will not be changed by the euro and that co-ordination and harmonisation are much less important for equity markets than for other markets. In the short term, relations between issuers and their domestic markets will not be altered and may even be strengthened by the Investment Service Directive.

The main European Stock Exchanges have decided on a "big bang" approach which means that from Monday, January 4 1999 they will all trade and quote securities in euro. This reflects their desire to avoid the cost and complexity of having a euro price and a national currency price, allied to legal considerations. The "big bang" approach means that quotations displayed on traders' screens would be in euro, transactions would be executed, recorded, matched, confirmed and transmitted to settlement in euro, and that intermediaries would make the conversions to supply accounts in the currency desired by the client.

Redenomination

The report carries a full discussion of the various approaches to redenominating share capital which it says can take place at any time during the period 1999-2002. If nothing is done by the end of the transition period, it will occur automatically by regulation. The working group has concluded that non-par value (NPV) shares appear to be the simplest and least-costly solution to redenomination because there is no need for a physical exchange of share certificates, share prices can be lowered by simple splitting and capital does not have to be increased or decreased. But the report points out that, while NPV shares are allowed by the EU's Second Company Law Directive, many countries have not yet passed the national legislation needed to authorise them.

Bond markets

The report concludes that early redenomination of sovereign debt is desirable but not essential for the

transition to the euro. It stresses that redenomination during the third stage of EMU is a change in how the value of a bond is expressed, not in the real value of the bond nor its currency. The economic benefits the market is looking for can best be achieved by redenominating old bonds issued in national currencies in euro. They would then be tradable on the same basis as new euro bonds.

While not excluding other methods, the working group favoured a "bottom up" approach to redenomination. This involves each holding by individuals and financial institutions being converted into euro using the fixed conversion factors and rounded to the nearest cent (two decimal places). The sum of all individual holdings is computed and matched against the total held at the central depository. Any differences can be adjusted with the advantage that the holdings at central depositories would be unchanged and the total volume of securities issued would not be affected. However, there would be no possibility of avoiding bonds with uneven nominal amounts in euro and cents, and this could cause trading and settlement difficulties.

Generally, the working group believed it would be helpful if governments informally co-ordinated their debt issues from the start of monetary union at the beginning of 1999. This would enhance liquidity, transparency and predictability in the markets. Current regulations requiring primary dealers to be located in the country of the issuer are contrary to the concept of a single market and should be removed, says the report.

Taxation

On taxation, the Commission emphasises that no matter how much harmonisation of market conventions and practices is achieved, distortions would still result from differences in national tax regimes, regulations and other restrictions on trading and investment. Thus, the yield on euro-denominated assets would vary depending on the location of the contractual parties.

Market rules and conventions

Nevertheless, the report comes out strongly in favour of greater harmonising of market conventions so as to achieve transparency, avoid disputes and facilitate the market's preparations for the euro. It recommends the so-called Act/Act system for calculating accruals of interest which means the actual number of days during which the bond is held divided by the actual number of days in the year.

"EUR" the new currency code for the euro

"EUR" will be the currency code of the euro. On 21 April 1997 the Maintenance Agency of the International Standardisation Organisation which is responsible for currency codes (ISO 4217) attributed the code "EUR" for the euro.

The new code is intended for use in any application of trade, commerce and banking, which is based on uniform, internationally agreed presentation of currencies.

The European Commission and the European Monetary Institute have welcomed the decision of the Maintenance Agency as it will allow currency users to easily identify the new currency. The early attribution of the code "EUR" will help economic agents, in particular financial institutions, in their preparatory work for the introduction of the single currency.

Trentino enterprises and the euro

An example of partnership

AMONG the 500 or so partnership proposals examined by the Commission in the context of the information and communication campaign about the euro, one is worthy of special note. This is a project being conducted in the northern Italian region of Trentino on behalf of small enterprises and craft workers.

It was the Centro Europeo di Risorse Umane (CERU) which devised and conducted this information campaign on the European currency. This non-profit, non-political association promotes activities that improve the quality of education and training and make optimum use of human resources. The CERU offers locally-based information and training to raise awareness of the problems and opportunities represented by the process of European integration.

Bringing information to local communities means applying the principles that govern the Commission's strategy for information and communication on the euro: subsidiarity, decentralisation and partnership.

The final goal of the CERU project was to de-dramatise Monetary Union among economic operators in the Trentino Region, by explaining it, stimulating their interest and gaining their confidence. The project contains five operational objectives for achieving this general goal:

- to provide economic operators with a general framework for the changeover to the euro by explaining the necessity and utility of the European currency;
- to provide information in order to gradually dispel fears about the changeover to the euro;
- to carry out real-life simulations in order to assess the impact on day-to-day business;
- to encourage all those involved to take advantage of the transition period (1999-2002) to properly prepare for the changeover to the euro;
- to ensure that small enterprises and craft workers pass on their information and training to the region's inhabitants.

This project was implemented by holding 150 seminars in 150 of the region's 223 local districts. In order to ensure that this project was fully effective, other organisations were asked to cooperate: the Association of Craft Workers and Small Enterprises of the Province of Trento (which includes 93% of the province's 11,000 small enterprises), the Craft Workers' Cooperative of Garanzia (which provides technical and financial assistance to 4,200 enterprises) and the SAPI (Services for Craft Workers and Small Enterprises) which, in liaison with the previous groups, is responsible mainly for administration.

The originality and effectiveness of the "Let's get ready for the euro" project does not lie in organising seminars as such but in the way they are organised.

It is difficult for small enterprises and craft workers to spare a whole day to travel to the regional, national or



European capital; it is also difficult for them to afford or justify the cost of such a journey. Indeed, they are confronted with day-to-day realities that often have little to do with the theories expounded by outside experts. In view of this, the CERU opted not to get craft workers and small enterprises to come to it but instead to go to them.

To achieve this thirty or so financial and tax experts were selected from the Trentino Region and given specific training on the changeover to the euro. This training was provided by members of the Groupeuro — voluntary speakers trained and sent by the European Commission (see *InfEuro* n° 2) — at no cost to the seminar organisers.

These thirty people who, in addition to their specialised expertise, were very well informed about specific regional characteristics, led 150 seminars in the various local districts. These seminars took place in hired premises — community halls, schools, town halls, etc. — outside normal working hours.

The campaign, aimed at 11,000 small enterprises and craft workers, will not stop there. Each participant was handed a 20-point questionnaire. The replies to these questionnaires are being analysed and evaluated and the results will be communicated to each participant. The Commission will also draw lessons from this locally-based survey. Lastly, and by no means the least attractive feature of the project, the average cost of each seminar including all upstream and downstream costs, was less than ECU 1,200, of which 50% was paid by the Commission and 50% by the project participants.

The Commission wishes to encourage wider use of this type of information and training campaign. According to all the opinion polls conducted to date, its format and effectiveness do indeed respond to demand. Community-based information and training and attention to specific local requirements are two major assets in negotiating the successful changeover to the euro. ■

Number of seminars in each valley of Trentino

Val di Fiemme - 8
Primiero-Vanoi - 7
Bassa Valsugana e Tesino - 12
Alta Valsugana - 11
Valle dell'Adige - 27
Val di Non - 17
Val di Sole - 6
Valli Giudicarie - 17
Alto Garda e Ledro - 9
Vallagarina - 18
Val di Fassa - 3



About Inf€uro

Inf€uro is published six times a year in English, French and German by the European Commission's programme "Euro: one currency for Europe".

Production and layout:
De Visu Digital Document
Design, Brussels

Coordinator: Philip Clist, Mons,
assisted by Juan Arcas

Editorial Manager:
Michel Visart, Brussels

Translations: Exacom, Brussels

and the editorial collaboration
of: ECO-European
Communications, Brussels;
Anne-Michèle Eckstein,
Brussels.

Neither the European
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International impact of the euro

"United we stand" could be the motto for Economic and Monetary Union when the euro enters the international monetary scene

In the present context of growing economic globalisation, the introduction of the euro by the European Union will equip it with a tool that is commensurate with the role it plays in trade, according to an analysis published by the European Commission in April 1997. In 1996, the fifteen Member States together represented 38.3% of the gross domestic product of the member countries of the Organization for Economic Cooperation and Development (OECD), compared with 32.5% for the United States and 20.5% for Japan. The Union's external trade, excluding intra-Community trade, totals 20.9% of world trade, compared with 19.6% for the United States and 10.5% for Japan. Immediately after the euro is introduced on 1 January 1999, the Union will have access to a financial market on a par with the role its economy plays on the world stage. This will mean a fundamental change for the Member States, whether they are among the "ins" or the "pre-ins", as well as for all the countries that maintain commercial and financial relations with them.

A bond market to be reckoned with

The first effect will be measured in financial terms when the markets of the Member States are integrated. All government bond issues will be denominated exclusively in euros as from 1 January 1999 which will make them virtually uniform. Indeed, since currency risk will have disappeared entirely there will probably be only small risk differentials between countries as a result of the nominal convergence required for entry into the third phase of EMU. The euro bond market is set to rapidly become one of the most important financial markets in the world.

Greater stability

The latest monetary crises demonstrated that Europe is extremely sensitive to fluctuations in currency markets. The average openness of Member States' economies is 30%, compared with 8% for the United States and 9% for Japan. This makes Europe highly vulnerable to any shifts in national currencies. The euro will reduce this openness to 10% whilst ensuring better cyclical synchronisation due to convergence between the economic policies of countries in the euro zone. From the macro-economic standpoint, European economies will be stabilised. From the micro-economic standpoint, businesses in participating countries will be less affected by currency fluctuations. This will make the European Union a more stable partner at all levels.

An increasingly international euro

As from 1 January 1999, enterprises in the euro zone will be able to use the European currency for intra-Community transactions, as well as for international trade. Gradually the euro will break into international trade and little by little will become a viable alternative to the dollar. The greenback currently represents

50% of commercial transactions and is used in 80% of currency market operations. European Commission experts estimate that 30% of world exports will be invoiced in euros after the EMU comes into being.

Harmonisation of the economic and financial policies of participating Member States, together with the creation of an independent institution for monetary management — the European Central Bank (ECB) — whose primary objective is price stability will guarantee the stability of the Euro. This will make it a particularly attractive reserve currency for central banks, as well as allowing private investors to diversify their portfolios. We are already seeing a steady increase in the proportion of world savings held in European currencies, currently standing at 37% compared with 40% for the dollar. This percentage is set to rise still further with the introduction of the euro.

Geographically speaking, the use of the euro will spread first to countries which have privileged links with the European Union in Central and Eastern Europe, the Mediterranean basin and certain regions of Africa, such as the CFA zone. Elsewhere, use of the euro will spread more slowly depending on the position occupied by the dollar today.

The introduction of the euro will have consequences for the Union's relations with international institutions responsible for strengthening the stability of the world monetary system. However, in all likelihood the current system of managed floating exchange rates will be maintained. EMU is expected to provide a better balance within the international monetary system, thereby reinforcing the benefits of international economic coordination. The advent of the euro will therefore provide an opportunity to enhance the effectiveness of coordinated economic policies which will contribute to greater exchange rate stability.

The euro in the hot seat

The ever-closer arrival of the future European currency is being seen as an important event by the international community and in particular by financial circles. In a concern to explain the euro to its partners, the European Commission is multiplying its initiatives to create a dialogue. At the end of March, a conference on the international aspects of the euro was held in Washington at the initiative of the Camille Gutt Foundation and the International Monetary Fund. This resulted in a broad consensus that EMU will be achieved within the prescribed deadlines and that the euro will become a major international currency. Since then Yves-Thibault de Silguy, the European Commissioner in charge of monetary questions, has taken part in the G7 summit held in Denver. Next September he will be attending the ASEAM (Asia Europe Meeting) in Bangkok, and the IMF and World Bank meetings at Hong Kong before going on to present the EMU in Japan. These visits will be part of the efforts undertaken by the European Commission to make the euro better known in Asian countries.



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